

Congress of the United States

Washington, DC 20515

November 19, 2009

Hon. Barney Frank
Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank:

We are writing to urge you to schedule a hearing as soon as possible on the recent report of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) on AIG's counterparty payments. As you know, the report paints a devastating picture of government regulators ill-prepared to deal with the failure of complex financial institutions like AIG, and who failed to fight for what was in the best interest of the taxpayers.

Before Members of Congress are asked to vote on legislation that seeks to codify future AIG-style bailouts, the Financial Services Committee needs to hear from Treasury Secretary Timothy Geithner – who headed the Federal Reserve Bank of New York during the AIG bailout – and other officials who can answer questions about this backdoor bailout of foreign and domestic counterparties so that Congress can effectively craft legislation to ensure that taxpayers will be protected in the future. Specific questions that the Committee must receive answers to include the following:

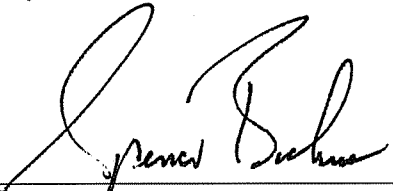
- We now know that several of AIG's counterparties were experiencing significant financial difficulties at the time of the decision to purchase the counterparty contracts. How much was the health of these banks a factor in paying them over \$27 billion, or 100 cents on the dollar for the value of their credit default swap contracts?
- Did the Federal Reserve Bank of New York's decision to treat all counterparties equally give the major counterparties (including foreign banks) effective veto power over the possibility of a concession from any other major parties?
- What was the extent of the negotiations over paying the counterparties at par value, and what will these same parties do in future times of crisis if Congress enacts legislation to mandate the creation of a \$200 billion bailout fund?
- What was the rationale for keeping secret the list of par value counterparties, given that the SIGTARP concludes that "there is no indication that AIG's disclosure undermined the stability of AIG or the market or damage legitimate interests of the counterparties"?

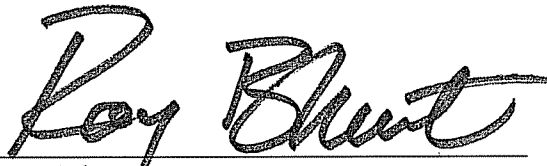
In the wake of last year's financial crisis, the American people are rightfully watching both Congress and the Administration to ensure that their taxpayer dollars are not being mismanaged and to ensure that the government isn't doing more harm than good when it comes to the financial recovery.

The SIGTARP report provides further evidence that government bureaucrats should not have the ability to sign off on choosing winners and losers in the marketplace. Inevitably, the loser in that scenario will always be the American taxpayer. Without a hearing to fully explore the decisions that led to the bailout of AIG and its counterparties, we are concerned that efforts to extend and expand TARP, as well as legislation currently being considered by the Financial Services Committee to codify a permanent bailout authority, will only lead to many of the same mistakes that have cost taxpayers hundreds of billions of dollars. The American people deserve better.

Thank you for your consideration of this request.

Sincerely,



Spencer Bachus

Roy Blunt